



Stat of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

November 8, 2002

Gordon Ziegler
Ziegler Chemical & Minerals Corporation
100 Jericho Quadrangle #140
Jericho, New York 11753

Re: Formal Approval of Amended Notices of Intention to Commence Large Mining Operations and Form and Amount of Replacement Reclamation Surety, Ziegler Chemical & Minerals, Ziegler Gilsonite Mines, M/047/013, Uintah County, Utah

Dear Mr. Ziegler:

On November 7, 2002, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of replacement reclamation surety for Ziegler Chemical & Minerals (Ziegler) Gilsonite mines. The Division performed the standard five-year review of Ziegler's reclamation surety. Based upon site inspections and information provided in April, 2001, the Division requested the surety be escalated to year 2006 for the amount of \$400,600. Ziegler reviewed the Division's surety estimate and responded in July 2001, that they would work on updating the surety. When the September 11, 2001 tragedy struck our nation, Ziegler had further difficulty in obtaining a replacement surety and requested an extension to submit the updated surety. On February 28, 2002, Ziegler provided a \$400,600 surety bond #L012002-M/047/013 issued by Lyndon Property Insurance Company and a replacement Reclamation Contract. This surety would replace the existing surety issued by Great American Insurance Company. There were corrections that needed to be made to the surety as well as the Reclamation Contract and this surety was never finalized at that time.

During the delay in obtaining the surety, Ziegler submitted amendments for the Main #2 and the Sterling #1/ Independent #2 mine sites on July 12, 2001 and July 10, 2002 respectively. The reclamation surety again had to be adjusted to accommodate the two amendment proposals. On August 21, 2002, the Division issued conditional tentative approval of the two amendments, conditioned upon Ziegler providing a replacement surety in the amount of \$450,200. The new surety amount was based on the additional disturbance regarding the amendments and the escalation of the bond, now to year 2007.

On October 21, 2002 and November 1, 2002, the Division received a replacement Reclamation Contract and a rider to the surety bond increasing the surety amount from \$400,600 to \$450,200 and the acreage from 33.34 to 53.89 acres. The Division hereby grants its final approval of your amended large mining notices of intention and the replacement reclamation surety for the Ziegler Gilsonite Mines.

Enclosed please find copies of the fully signed and executed Reclamation Contract and surety bond form

Page 2
Gordon Ziegler
M/047/013
November 8, 2002

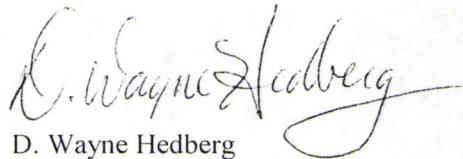
with rider for your files. You may now commence mining operations on your existing approved operations as well as on the amended areas, totaling 53.89 acres, as identified on the Reclamation Contract.

We have also enclosed the original Reclamation Contract with the effective date of July 31, 2000, and the Great American Insurance Company bond in the amount of \$143,900 for your disposal or return to the surety company.

Approval from the Division does not grant approval from the Bureau of Land Management or the School and Institutional Trust Lands Administration, for any disturbance on their respective lands. We will forward a copy of this letter along with copies of the updated reclamation surety to both of these agencies for their records.

Thank you for your help and patience in finalizing this permitting action. Please call me or Doug Jensen if you have any questions in this regard.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

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Enclosures: 1) Copies of RC & Lyndon Property surety bond
2) Original of RC & Great Western surety bond
3) Two original riders from Lyndon Property rec'd 10/21/902 which were replaced

cc: Stan Wagner, Ziegler, Vernal Office
Stephanie McKeachnie, McKeachnie, Allred. . . (all enclosures)
Will Stokes, SITLA w/Encl #1
Pete Sokolosky, BLM w/Encl #1

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